

TABLE 40A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31-Aug-92

**GROUP: SYLVANLAKE – NON-MANAGEMENT**

	<u>Lives</u>	<u>"1993 Cost-sharing"</u> <u>Medical Insurance</u>	<u>Part B Premiums</u>	<u>Reimbursement Account</u>	<u>Life Insurance</u>	<u>Telephone Discount</u>	<u>Grand Total</u>
<u>Accrued Liability @ 1/1/92</u>							
Retirees	0	\$0	\$0	\$0	\$0	\$0	\$0
Actives Eligible to Retire	3	109,878	18,748	0	0	1,941	130,567
Actives Not Yet Eligible to Retire	13	117,207	15,332	0	0	1,639	134,178
Total Accrued Liability (APBO)	16	\$227,085	\$34,080	\$0	\$0	\$3,580	\$264,745
<u>Annual Expense for 1992</u>							
Service Cost		\$10,507	\$1,428	\$0	\$0	\$148	\$12,083
Interest Cost		18,156	2,726	0	0	286	21,168
Amortization of Transition Obligation		15,139	2,272	0	0	239	17,650
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$43,802	\$6,426	\$0	\$0	\$673	\$50,901
<u>Pay-As-You-Go Expense</u>		\$282	\$0	\$0	\$0	\$5	\$287

Notes: (1) Discount Rate = 8% per annum.

(2) Transition Obligation is amortized over 15 years.

TABLE 41A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31 - Aug - 92

**GROUP: THORNTOWN**

	<u>Lives</u>	<u>"1993 Cost-sharing"</u> <u>Medical Insurance</u>	<u>Part B Premiums</u>	<u>Reimbursement Account</u>	<u>Life Insurance</u>	<u>Telephone Discount</u>	<u>Grand Total</u>
<u>Accrued Liability @ 1/1/92</u>							
Retirees	1	\$56,055	\$11,573	\$0	\$0	\$0	\$67,628
Actives Eligible to Retire	1	56,112	9,265	0	0	0	65,377
Actives Not Yet Eligible to Retire	10	100,792	13,052	0	0	0	113,844
Total Accrued Liability (APBO)	12	\$212,959	\$33,890	\$0	\$0	\$0	\$246,849
<u>Annual Expense for 1992</u>							
Service Cost		\$9,088	\$1,142	\$0	\$0	\$0	\$10,230
Interest Cost		16,968	2,696	0	0	0	19,665
Amortization of Transition Obligation		10,141	1,614	0	0	0	11,755
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$36,198	\$5,452	\$0	\$0	\$0	\$41,649
<u>Pay-As-You-Go Expense</u>		\$1,745	\$378	\$0	\$0	\$0	\$2,123

Notes: (1) Discount Rate = 8% per annum.

(2) Transition Obligation is amortized over 21 years.

TABLE 42A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31 - Aug - 92

**GROUP: URBAN**

	<u>Lives</u>	"1993 Cost-sharing" <u>Medical Insurance</u>	<u>Part B Premiums</u>	<u>Reimbursement Account</u>	<u>Life Insurance</u>	<u>Telephone Discount</u>	<u>Grand Total</u>
<u>Accrued Liability @ 1/1/92</u>							
Retirees	0	\$0	\$0	\$0	\$0	\$0	\$0
Actives Eligible to Retire	3	0	0	6,580	0	0	6,580
Actives Not Yet Eligible to Retire	67	0	0	18,873	0	0	18,873
Total Accrued Liability (APBO)	70	\$0	\$0	\$25,453	\$0	\$0	\$25,453
<u>Annual Expense for 1992</u>							
Service Cost		\$0	\$0	\$1,464	\$0	\$0	\$1,464
Interest Cost		0	0	2,010	0	0	2,010
Amortization of Transition Obligation		0	0	1,340	0	0	1,340
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$0	\$0	\$4,814	\$0	\$0	\$4,814
<u>Pay-As-You-Go Expense</u>		\$0	\$0	\$671	\$0	\$0	\$671

Notes: (1) Discount Rate = 8% per annum.

(2) Transition Obligation is amortized over 19 years.

TABLE 43A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31-Aug-92

**GROUP: VIROQUA**

	<u>Lives</u>	"1993 Cost-sharing" <u>Medical Insurance</u>	<u>Part B Premiums</u>	<u>Reimbursement Account</u>	<u>Life Insurance</u>	<u>Telephone Discount</u>	<u>Grand Total</u>
<u>Accrued Liability @ 1/1/92</u>							
Retirees	28	\$904,827	\$0	\$0	\$0	\$12,273	\$917,100
Actives Eligible to Retire	1	18,518	0	0	0	285	18,803
Actives Not Yet Eligible to Retire	10	52,299	0	0	0	399	52,698
Total Accrued Liability (APBO)	39	\$975,644	\$0	\$0	\$0	\$12,957	\$988,601
<u>Annual Expense for 1992</u>							
Service Cost		\$4,461	\$0	\$0	\$0	\$33	\$4,494
Interest Cost		76,717	0	0	0	986	77,704
Amortization of							
Transition Obligation		54,202	0	0	0	720	54,922
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$135,381	\$0	\$0	\$0	\$1,739	\$137,120
<u>Pay-As-You-Go Expense</u>		\$34,005	\$0	\$0	\$0	\$1,285	\$35,290

Notes: (1) Discount Rate = 8% per annum.

(2) Transition Obligation is amortized over 18 years.

TABLE 44A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31 - Aug - 92

**GROUP: VISTA - IOWA**

	<u>Lives</u>	"1993 Cost-sharing" <u>Medical Insurance</u>	<u>Part B Premiums</u>	<u>Reimbursement Account</u>	<u>Life Insurance</u>	<u>Telephone Discount</u>	<u>Grand Total</u>
<u>Accrued Liability @ 1/1/92</u>							
Retirees	77	\$2,485,925	\$0	\$0	\$507,419	\$0	\$2,993,344
Actives Eligible to Retire	31	1,279,970	0	0	102,906	0	1,382,876
Actives Not Yet Eligible to Retire	113	1,785,803	0	0	111,123	0	1,896,926
Total Accrued Liability (APBO)	221	\$5,551,698	\$0	\$0	\$721,448	\$0	\$6,273,146
<u>Annual Expense for 1992</u>							
Service Cost		\$142,292	\$0	\$0	\$9,415	\$0	\$151,708
Interest Cost		435,511	0	0	56,341	0	491,852
Amortization of Transition Obligation		297,912	0	0	38,714	0	336,626
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$875,715	\$0	\$0	\$104,471	\$0	\$980,185
<u>Pay-As-You-Go Expense</u>		\$219,859	\$0	\$0	\$35,035	\$0	\$254,894

Notes: (1) Discount Rate = 8% per annum.

(2) Accrued Benefit Cost as of January 1, 1992 equals \$550,509.

(3) Transition Obligation is the difference between the APBO and the Accrued Benefit Cost and is amortized over 17 years.

TABLE 45A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (Numbers may not add due to rounding)

31-Aug-92

**GROUP: VISTA - MINNESOTA**

	Lives	"1993 Cost-sharing" Medical Insurance	Part B Premiums	Reimbursement Account	Life Insurance	Telephone Discount	Grand Total
<u>Accrued Liability @ 1/1/92</u>							
Retirees	88	\$2,500,297	\$0	\$0	\$644,298	\$0	\$3,144,595
Actives Eligible to Retire	41	1,581,087	0	0	149,832	0	1,730,919
Actives Not Yet Eligible to Retire	388	3,180,632	0	0	223,808	0	3,404,440
Total Accrued Liability (APBO)	517	\$7,262,016	\$0	\$0	\$1,017,938	\$0	\$8,279,954
<u>Annual Expense for 1992</u>							
Service Cost		\$356,498	\$0	\$0	\$27,136	\$0	\$383,634
Interest Cost		571,906	0	0	79,570	0	651,476
Amortization of Transition Obligation		364,437	0	0	51,084	0	415,521
Prior Service Cost		0	0	0	0	0	0
Gains and Losses		0	0	0	0	0	0
Expected Return on Plan Assets		0	0	0	0	0	0
Net Periodic Expense		\$1,292,842	\$0	\$0	\$157,790	\$0	\$1,450,631
<u>Pay-As-You-Go Expense</u>		\$230,820	\$0	\$0	\$47,550	\$0	\$278,370

Notes: (1) Discount Rate = 8% per annum.

(2) Accrued Benefit Cost as of January 1, 1992 equals \$1,216,091.

(3) Transition Obligation is the difference between the APBO and the Accrued Benefit Cost and is amortized over 17 years.

EXHIBIT A  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (AMOUNTS IN THOUSANDS)  
 Projections of APBO

01-Sep-92

	1993	1994	1995	1996	1997
Rochester Telephone – Regulated Management	\$54,928	\$56,311	\$57,534	\$58,587	\$59,538
Rochester Telephone – CWA	23,702	26,041	28,465	30,961	33,519
Rochester Telephone – RTWA	11,269	12,649	14,135	15,736	17,462
Rochester Telephone – Deregulated Management	2,296	2,601	2,937	3,305	3,710
Ausable Valley	564	636	715	800	893
Breezewood	0	0	0	0	0
Canton	113	116	118	120	121
C,C,&S	82	88	92	96	99
Citizen's	11	13	14	16	18
Depue	340	349	358	366	374
Enterprise	31	34	37	40	43
Fairmount	14	13	13	12	11
Highland	11,267	12,255	13,308	14,411	15,581
Illinois Telco Group	195	211	227	246	257
Lakeshore	250	262	275	285	292
Lakewood	0	0	0	0	0
Lamar	0	0	0	0	0
Minot	976	1,084	1,203	1,333	1,474
Mid-South	4	3	2	0	0
Midway	0	0	0	0	0
Mondovi	281	304	329	356	384
Monroeville	46	42	37	32	25
Mt. Pulaski	158	168	179	191	205
Ontonagon	123	133	143	155	167
Orion	78	78	77	76	74
Oswayo	126	126	124	123	122
S&A	0	0	0	0	0
Schuyler	467	498	529	563	597
Seneca Gorham	413	469	530	596	667
Southland	1,625	1,776	1,939	2,113	2,300
St. Croix	0	0	0	0	0
Sylvan Lake – Management	237	255	275	295	317
Sylvan Lake – Non-Management	298	334	372	414	458
Thorntown	275	304	332	363	396
Urban	28	31	32	34	37
Viroqua	1,036	1,083	1,130	1,178	1,226
Vista – Iowa	6,662	7,045	7,426	7,806	8,187
Vista – Minnesota	9,037	9,823	10,650	11,509	12,429
Grand Total	\$126,932	\$135,134	\$143,538	\$152,120	\$160,984

Notes:

1. Projections reflect "1993 Cost-sharing" retiree medical program.
2. Projections assume a constant active workforce and no actuarial gains or losses.
3. Discount Rate = 8% per annum.

EXHIBIT B  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (AMOUNTS IN THOUSANDS)  
 Projections of Annual Expense

01-Sep-92

	1993	1994	1995	1996	1997
Rochester Telephone - Regulated Management	\$6,640	\$6,752	\$6,853	\$6,944	\$7,028
Rochester Telephone - CWA	3,696	3,923	4,159	4,401	4,652
Rochester Telephone - RTWA	1,995	2,143	2,302	2,472	2,654
Rochester Telephone - Deregulated Management	425	457	492	531	572
Ausable Valley	101	109	117	126	136
Breezewood	0	0	0	0	0
Canton	14	14	14	14	15
C,C,&S	14	15	15	16	16
Citizen's	2	2	2	3	3
Depue	43	43	44	45	45
Enterprise	5	6	6	6	6
Fairmount	2	2	2	2	2
Highland	1,839	1,944	2,056	2,172	2,295
Illinois Telco Group	25	27	28	29	30
Lakeshore	32	33	33	34	35
Lakewood	0	0	0	0	0
Lamar	0	0	0	0	0
Minot	171	183	196	210	225
Mid-South	1	2	2	0	0
Midway	0	0	0	0	0
Mondovi	46	48	51	54	57
Monroeville	8	7	8	9	10
Mt. Pulaski	27	28	30	31	33
Ontonagon	17	18	18	19	20
Orion	10	10	10	10	10
Oswayo	16	16	16	16	16
S&A	0	0	0	0	0
Schuyler	69	72	75	79	82
Seneca Gorham	78	84	91	98	106
Southland	273	290	307	326	346
St. Croix	0	0	0	0	0
Sylvan Lake - Management	38	40	42	44	46
Sylvan Lake - Non-Management	52	56	60	64	69
Thorntown	46	49	52	55	58
Urban	5	5	5	6	6
Viroqua	138	142	146	150	154
Vista - Iowa	990	1,032	1,074	1,117	1,161
Vista - Minnesota	1,515	1,608	1,706	1,808	1,919
Grand Total	\$18,331	\$19,159	\$20,012	\$20,890	\$21,808

Notes:

1. Projections reflect "1993 Cost-sharing" retiree medical program.
2. Projections assume a constant active workforce and no actuarial gains or losses.
3. Projections assume that the 1/1/93 retiree life reserve equals \$3,943,904 at Rochester Telephone Company.
4. Expected Return on Plan assets equals 1992 expected benefit payments.
5. Projections assume that the 1/1/93 Accrued Benefit Cost at Vista Telephone Company equals \$1,766,600.
6. Discount Rate = 8% per annum.
7. Transition Obligations are amortized by Company over the expected future working lifetime of the active employees or 20 years, if greater.



EXHIBIT C  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 (AMOUNTS IN THOUSANDS)  
 Projections of Annual Expense

01-Sep-92

	1993	1994	1995	1996	1997
Rochester Telephone – Regulated Management	\$7,490	\$7,602	\$7,703	\$7,793	\$7,878
Rochester Telephone – CWA	4,091	4,318	4,554	4,796	5,047
Rochester Telephone – RTWA	2,183	2,331	2,490	2,659	2,842
Rochester Telephone – Deregulated Management	463	495	531	569	611
Ausable Valley	108	116	124	133	143
Breezewood	0	0	0	0	0
Canton	14	14	14	14	15
C,C,&S	15	15	16	16	17
Citizen's	2	2	2	3	3
Depue	43	43	44	45	45
Enterprise	5	6	6	6	7
Fairmount	2	2	2	2	2
Highland	1,980	2,085	2,197	2,313	2,436
Illinois Telco Group	43	45	46	47	48
Lakeshore	32	33	33	34	35
Lakewood	0	0	0	0	0
Lamar	0	0	0	0	0
Minot	171	183	196	210	225
Mid-South	1	2	2	0	0
Midway	0	0	0	0	0
Mondovi	46	48	51	54	57
Monroeville	8	7	8	9	10
Mt. Pulaski	27	28	30	31	33
Ontonagon	18	19	20	21	22
Orion	11	11	10	10	10
Oswayo	18	17	17	17	17
S&A	0	0	0	0	0
Schuyler	72	75	78	81	85
Seneca Gorham	82	88	95	102	110
Southland	273	290	307	326	346
St. Croix	0	0	0	0	0
Sylvan Lake – Management	42	44	46	48	50
Sylvan Lake – Non-Management	57	61	65	69	74
Thorntown	46	49	52	55	58
Urban	5	5	5	6	6
Viroqua	144	148	152	156	160
Vista – Iowa	1,044	1,086	1,128	1,171	1,215
Vista – Minnesota	1,584	1,677	1,775	1,877	1,988
Grand Total	\$20,116	\$20,944	\$21,797	\$22,675	\$23,593

Notes:

1. Projections reflect "1993 Cost-sharing" retiree medical program.
2. Projections assume a constant active workforce and no actuarial gains or losses.
3. Projections assume that the 1/1/93 retiree life reserve equals \$3,943,904 at Rochester Telephone Company.
4. Expected Return on Plan assets equals 1992 expected benefit payments.
5. Projections assume that the 1/1/93 Accrued Benefit Cost at Vista Telephone Company equals \$1,766,600.
6. Discount Rate = 8% per annum.
7. Transition Obligations are amortized by Company over the expected future working lifetime of the active employees.

## **EXHIBIT D**

### ***DISCUSSION REGARDING THE RELATIONSHIP BETWEEN THE TIMING OF ADOPTION OF FAS 106 AND THE TIMING OF PLAN AMENDMENTS***

#### **Background**

FAS 106 defines the transition obligation as the excess of the accumulated postretirement benefit obligation (APBO) over amounts previously accrued and/or funded. This measurement is performed as of the beginning of the fiscal year in which the new statement is first adopted (i.e., January 1, 1993 for calendar year companies waiting to comply until the last possible moment). The standard provides for two methods of transition:

- immediate recognition of the transition obligation (the "Big Hit");
- amortization of the transition obligation (over the average remaining service period of active plan participants or 20 years if greater).

#### **Plan Amendments**

Prior service costs are measured as the change in the APBO resulting from benefit improvements or cutbacks. Additional prior service costs must be amortized as a component of net periodic expense over the future service period to full eligibility for benefits. Negative prior service costs (i.e., decreases in the APBO) are first offset against any unrecognized prior service costs, then against any unrecognized transition obligation. The excess, if any, is amortized as a component of net periodic expense (immediate recognition of the excess is not permitted). If, however, the plan is amended to reduce benefits and/or increase retiree contributions prior to adopting FAS 106, the effect of such plan amendments is simply netted against the transition obligation.

For example, assume that a Company projects its January 1, 1993 APBO to be \$500 million under the current plan of benefits. Also assume that the Company adopts a significant plan change in December of 1992 resulting in a \$80 million reduction in the APBO. The transition obligation as of January 1, 1993 is simply \$420 million and this amount can either be taken immediately or amortized.

#### **Profit & Loss Enhancements**

Many employers are now considering a financial strategy intended to boost earnings in 1994 and beyond. The approach is to delay the adoption of anticipated benefit cutbacks until after FAS 106 is adopted, immediately recognize a large transition obligation and then adopt the benefit cutbacks which will reduce expenses over the next 15 or so years.

To illustrate the point, let's use the same facts as in the previous example. Assume that the plan cutback is not adopted until February of 1993. Under this scenario, the transition obligation would be measured on the basis of the plan in effect as of January 1, 1993 (i.e., the old plan valued at \$500 million). The Company would then opt for immediate recognition of the transition obligation and charge the \$500 million to equity. Shortly thereafter, the plan would be amended and the \$80 million reduction in APBO would be set up as a negative prior service cost and amortized into income over the next 15 or so years. At the expense of a larger transition obligation in 1993, the Company has now improved earnings by \$5.3 million for the next 15 years.

### **Timing of Plan Amendments**

The key point to keep in mind is the significance of the date of adoption of the amendment. If a calendar year employer does not adopt a negative plan amendment before 1993, the transition obligation must be measured on the basis of the plan before amendment. While there may be no ramifications if the employer intends to opt for amortization of the transition obligation, the failure to adopt the amendment before 1993 would prevent the employer from reflecting the negative amendment in its transition obligation. For some companies, that difference in the size of the transition obligation could be crucial as to whether or not it will be able to take the "Big Hit".

### **Conclusion**

As Rochester Telephone Corporation is considering the timing of adoption of both FAS 106 and possible plan amendments, these issues should be discussed with your auditors to avoid any last minute surprises. What criteria will they use in determining when a plan amendment is adopted? Typically, the date of a Board resolution would govern. In the absence of a Board resolution, the auditors may look to the date employees were notified or to some other date such as the date management decided on the amendment. In any event, you will want to know well in advance for in-house planning purposes.

## **APPENDIX A**

### **ROCHESTER TELEPHONE CORPORATION POSTRETIREMENT WELFARE BENEFITS VALUATION PREPARED AS OF JANUARY 1, 1992**

#### **OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

**ACTUARIAL COST METHOD:** Projected unit credit with benefits attributed ratably to service from date of hire until date of full eligibility for benefits. This is the attribution method specified in FAS 106.

**DISCOUNT RATE:** 8% per annum, compounded annually.

**MEDICAL PLAN COSTS:** The valuation assumed the 1992 total monthly per capita costs for covered individuals as outlined in Appendix B.

**MEDICARE COORDINATION:** Medicare was assumed to remain the primary payor of benefits for retirees and spouses over age 65.

**TELEPHONE DISCOUNT:** The cost of telephone discount benefits was included for contract employees and those retirees living outside the local service area. The 1992 monthly costs were assumed as outlined in Appendix B. Unless otherwise indicated, the telephone discount was assumed to grow at a rate of 5% per annum (assumed increase in the cost of living) and 35% of current and future retirees were assumed to live outside the local service area.

**ADMINISTRATIVE EXPENSES:** Expenses were assumed to be included in the medical plan costs. No other administrative expenses were explicitly identified.

**MEDICARE PART B PREMIUMS:** As indicated in Appendix B, certain Companies reimburse retirees and spouses the cost of Medicare Part B premiums. Unless the benefit is frozen, the valuation reflects the following schedule of Part B premium increases for 1992 through 1995 and 5% annual increases thereafter. For years after 1995, we assumed a 5% increase per year.

<u>Year</u>	<u>Premium</u>
1992	\$31.80
1993	36.60
1994	41.40
1995	46.10

**MEDICAL TREND:** Medical plan costs were assumed to increase by the following percentages each year:

<u>Year</u>	<u>Medical Trend</u>
1992	13.0%
1993	12.4
1994	11.8
1995	11.2
1996	10.7
1997	10.2
1998	9.7
1999	9.2
2000	8.8
2001	8.4
2002	8.0
2003	7.6
2004	7.2
2005	6.9
2006 and after	6.8

**DEDUCTIBLE LEVERAGING:** Benefit costs will increase faster than the medical trend rates above due to the erosion of fixed dollar deductibles. Our valuation assumed that the effect of deductible leveraging will increase the 1992 medical trend by 0.73%. It was assumed that this leveraging effect will decrease geometrically by 10% each year.

**ROCHESTER TELEPHONE RETIREES:** For Rochester Telephone Company we assumed all retirees to be part of the Regulated Management Group. Although this has little impact on current results, any benefit changes, such as frozen Medicare Part B premiums, to the Regulated Non-Management Groups (CWA and RTWA) in the future will necessitate the proper tracking of Rochester Telephone retirees.

**SPOUSES WITH MEDICAL COVERAGE:** For current retirees of Rochester Telephone Company and Highland Telephone Company, representative values of the percentage of retirees assumed to have covered spouses are as follows:

<u>Age</u>	<u>Male Retirees</u>	<u>Female Retirees</u>
55	83%	60%
60	84	49
65	86	36
70	81	27
75	75	16
80	66	8
85	53	5
90	37	3
95	14	1

For other current retirees, actual enrollment information was used. If the spouse's date of birth was not available, husbands were assumed to be 4 years (3 years for Vista) older than their wives. For all future retirees, it was assumed that 85% of males and 60% of females will have covered spouses at the time of retirement. The cost for any dependent children was assumed to be implicitly included in the spouse per capita costs.

**ELECTIONS:** Reported census data was used to identify current retirees with welfare benefits. All employees (other than Vista) who become eligible for retiree welfare benefits were assumed to participate because the current programs are generally non-contributory. At Vista, where the current medical plan is contributory, future retirees were assumed to participate in the medical plan as following table:

Service at Retirement	% Participate
< 15 years	NA
15-19 years	63%
20-24 years	78%
25-29 years	89%
30+ years	94%

**SALARY INCREASES:** Representative values of the assumed annual rates of future increase are as follows:

<u>Age</u>	<u>Annual Rates of Salary Increase</u>
25	8.2%
30	6.2
35	6.1
40	6.0
45	6.0
50	5.9
55	5.9
60	5.9
65	5.8
69	5.8

**DEATHS AFTER RETIREMENT:** According to the 1984 George B. Buck Mortality Tables for men and women.

**NORMAL RETIREMENT:** Age 65 for Sylvan Lake Non-Management. Age 70 for all other telephone companies.

**ASSETS:** For accounting purposes, we assumed that there were no assets set aside and no accumulated book reserves or prepaid expenses for postretirement welfare benefits except as follows. Rochester Telephone Company has a retiree life insurance reserve of \$3,943,904 as of January 1, 1992 and Vista Telephone Company has an accrued benefit cost of \$1,766,600 as of January 1, 1992. The net investment return of Rochester Telephone Company's retiree life insurance reserve was assumed to be 1992 expected benefit payments.

**MISCELLANEOUS:** The valuation was prepared on an ongoing-plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

**SEPARATIONS FROM ACTIVE SERVICE:** The following tables show representative values of the assumed annual rates of termination, disability, death and retirement prior to normal retirement.

**Minot Telephone Company**

**Annual Rate of**

<u>Age</u>	<u>Non-Vested Withdrawal*</u>	<u>Vested Withdrawal**</u>	<u>Retirement</u>	<u>Death</u>	<u>Disability</u>
<b><u>Men</u></b>					
25	6.5%	5.5%	--	.1%	.1%
30	5.0	5.0	--	.1	.1
35	5.0	2.5	--	.1	.1
40	5.0	0.5	--	.2	.1
45	2.5	0.5	2.0%	.2	.2
50	0.5	0.5	3.0	.3	.4
55	0.5	0.5	4.0	.5	.7
60	0.5	0.5	10.0	1.0	1.3
62	0.5	0.5	50.0	1.2	1.5
64	0.5	0.5	30.0	1.6	1.8
65	0.5	0.5	75.0	1.8	2.0
69	0.5	0.5	30.0	2.8	3.7
<b><u>Women</u></b>					
25	5.0%	5.0%	--	--	.1%
30	4.0	2.5	--	--	.1
35	3.5	1.5	--	.1%	.1
40	2.5	1.0	--	.1	.1
45	1.5	0.5	2.0%	.1	.2
50	1.0	0.5	4.0	.2	.4
55	1.0	0.5	5.0	.3	.7
60	1.0	0.5	9.0	.5	1.3
62	1.0	0.5	50.0	.7	1.5
64	1.0	0.5	30.0	.9	1.8
65	1.0	0.5	75.0	1.0	2.0
69	1.0	0.5	30.0	1.6	3.7

\*Rates apply to first five years of service.

\*\*Rates apply after first five years of service.



## Sylvan Lake Non-Management

## Annual Rate of

<u>Age</u>	<u>Withdrawal and Vesting</u>	<u>Retirement</u>	<u>Death</u>
<u>Men</u>			
25	8.9%	--	.1%
30	6.9	--	.1
35	5.5	--	.1
40	4.9	--	.2
45	4.4	--	.3
50	3.7	--	.5
55	5.0	5.0%	.9
60	10.0	10.0	1.3
62	25.0	25.0	1.6
64	20.0	20.0	1.9

Women

25	8.9%	--	--
30	6.9	--	.1%
35	5.5	--	.1
40	4.9	--	.1
45	4.4	--	.2
50	3.7	--	.3
55	5.0	5.0%	.5
60	10.0	10.0	.8
62	25.0	25.0	.9
64	20.0	20.0	1.1

## Vista

## Annual Rate of

<u>Age</u>	<u>Non-Vested Withdrawal*</u>	<u>Vested Withdrawal**</u>	<u>Retirement</u>	<u>Death</u>	<u>Disability</u>
<u>Men</u>					
25	13.0%	11.0%	--	.1%	.1%
30	10.0	10.0	--	.1	.1
35	10.0	5.0	--	.1	.1
40	10.0	1.0	--	.2	.1
45	5.0	1.0	2.0%	.2	.2
50	1.0	1.0	3.0	.3	.4
55	1.0	1.0	4.0	.5	.7
60	1.0	1.0	10.0	1.0	1.3
64	1.0	1.0	30.0	1.6	1.8
65	1.0	1.0	75.0	1.8	2.0
69	1.0	1.0	30.0	2.8	3.7
<u>Women</u>					
25	10.0%	10.0%	--	.03%	.1%
30	8.0	5.0	--	.04	.1
35	7.0	3.0	--	.05	.1
40	5.0	2.0	--	.07	.1
45	3.0	1.0	2.0%	.10	.2
50	2.0	1.0	4.0	.16	.4
55	2.0	1.0	5.0	.29	.7
60	2.0	1.0	9.0	.54	1.3
64	2.0	1.0	30.0	.88	1.8
65	2.0	1.0	75.0	.99	2.0
69	2.0	1.0	30.0	1.6	3.7

\*For first 5 years of service

\*\*After first 5 years of service

## Ontonagon

## Annual Rate of

<u>Age</u>	<u>Withdrawal and Vesting</u>	<u>Disability</u>	<u>Retirement</u>	<u>Death</u>
<u>Men</u>				
25	11.0%	0.1%	--	0.1%
30	10.0	0.1	--	0.1
35	5.0	0.1	--	0.1
40	1.0	0.1	--	0.2
45	1.0	0.2	2.0%	0.2
50	1.0	0.4	3.0	0.3
55	1.0	0.7	4.0	0.5
60	1.0	1.3	10.0	1.0
65	1.0	2.0	75.0	1.8
69	1.0	3.7	30.0	2.8
<u>Women</u>				
25	10.0%	0.1%	--	--
30	5.0	0.1	--	--
35	3.0	0.1	--	0.1%
40	2.0	0.1	--	0.1
45	1.0	0.2	2.0%	0.1
50	1.0	0.4	4.0	0.2
55	1.0	0.7	5.0	0.3
60	1.0	1.3	9.0	0.5
65	1.0	2.0	75.0	1.0
69	1.0	3.7	30.0	1.6

## All Other Telephone Companies

## Annual Rate of

<u>Age</u>	<u>Non-Vested Withdrawal*</u>	<u>Vested Withdrawal**</u>	<u>Retirement</u>	<u>Death</u>	<u>Disability</u>
<u>Men</u>					
25	13.0%	11.0%	—	.1%	.1%
30	10.0	10.0	--	.1	.1
35	10.0	5.0	--	.1	.1
40	10.0	1.0	--	.2	.1
45	5.0	1.0	2.0%	.2	.2
50	1.0	1.0	3.0	.3	.4
55	1.0	1.0	4.0	.5	.7
60	1.0	1.0	10.0	1.0	1.3
64	1.0	1.0	30.0	1.6	1.8
65	1.0	1.0	75.0	1.8	2.0
69	1.0	1.0	30.0	2.8	3.7

Women

25	10.0%	10.0%	—	.03%	.1%
30	8.0	5.0	—	.04	.1
35	7.0	3.0	—	.05	.1
40	5.0	2.0	—	.07	.1
45	3.0	1.0	2.0%	.10	.2
50	2.0	1.0	4.0	.16	.4
55	2.0	1.0	5.0	.29	.7
60	2.0	1.0	9.0	.54	1.3
64	2.0	1.0	30.0	.88	1.8
65	2.0	1.0	75.0	.99	2.0
69	2.0	1.0	30.0	1.6	3.7

\*For first 5 years of service

\*\*After first 5 years of service

**APPENDIX B**  
**ROCHESTER TELEPHONE CORPORATION**  
**POSTRETIREMENT WELFARE BENEFITS VALUATION**  
**AS OF JANUARY 1, 1992**  
**SUMMARY OF PRINCIPAL BENEFIT PROVISIONS**

	ELIGIBILITY	MONTHLY MEDICAL PREMIUMS	DURATION OF COVERAGE	PART B PREMIUM REIMBURSEMENT	MONTHLY TELEPHONE DISCOUNT	REIMBURSEMENT ACCOUNT
ROCHESTER TELEPHONE MANAGEMENT	Age 50 & 25 Years of Service Age 55 & 20 Years of Service 30 Years of Service Age 65 & 5 Years of Service	Retiree <65: \$109.33 Spouse <65: \$132.75 Individual ≥ 65: \$58.97	Retiree: Life Spouse: Life of Retiree	Yes	\$36.75	\$125.00/year
ROCHESTER TELEPHONE NON-MANAGEMENT - CWA	Same as Rochester Telephone Management	Retiree <65: \$109.33 Spouse <65: \$132.75 Individual ≥ 65: \$58.97	Retiree: Life Spouse: Life of Retiree	Yes Frozen @ \$28.60	\$36.75	\$125.00/year
ROCHESTER TELEPHONE NON-MANAGEMENT - RTWA	Same as Rochester Telephone Management	Retiree <65: \$109.33 Spouse <65: \$132.75 Individual ≥ 65: \$58.97	Retiree: Life Spouse: Life of Retiree	Yes Frozen @ \$29.90	\$36.75	\$125.00/year
RCI, ROTELCOM, RTBMC, & RTMC - MANAGEMENT	Same as Rochester Telephone Management	Retiree <65: \$109.33 Spouse <65: \$132.75 Individual ≥ 65: \$58.97	Retiree: Life Spouse: Life of Retiree	Yes	\$36.75	\$125.00/year
RCI, ROTELCOM, RTBMC, & RTMC - NON-MANAGEMENT	<b>NO BENEFITS</b>					
AUSABLE VALLEY MANAGEMENT	Age + Service = 80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree <65: \$111.78 Spouse <65: \$85.00 Individual ≥ 65: \$93.21	Retiree: Life Spouse: Life of Spouse	Yes	\$24.00	None
AUSABLE VALLEY NON-MANAGEMENT	Age + Service = 80 Age 55 & 15 Years of Service	Retiree <65: \$111.78 Spouse <65: \$85.00 Individual ≥ 65: \$93.21	Retiree: Life Spouse: Life of Spouse	Yes	\$24.00	None
BREEZEWOOD	<b>NO BENEFITS</b>					

**ROCHESTER TELEPHONE CORPORATION  
POSTRETIREMENT WELFARE BENEFITS VALUATION  
AS OF JANUARY 1, 1992  
SUMMARY OF PRINCIPAL BENEFIT PROVISIONS**

	ELIGIBILITY	MONTHLY MEDICAL PREMIUMS	DURATION OF COVERAGE	PART B PREMIUM REIMBURSEMENT	MONTHLY TELEPHONE DISCOUNT	REIMBURSEMENT ACCOUNT
<b>CANTON *</b>	Age 55 & Age + Service = 80 30 Years of Service Age 65	Retiree < 65: \$141.63 Spouse < 65: \$211.48 Individual ≥ 65: \$113.32	Retiree: Life Spouse: Life of Spouse	None	\$25.00	None
<b>C,C,&amp;S</b>	Age 58 & 10 Years of Service	Retiree < 65: \$118.53 Spouse < 65: \$181.03	Retiree: To Age 65 Spouse: Retiree Age 65	None	None	None
<b>CITIZEN'S</b>	<b>NO BENEFITS</b>					
<b>DEPUE</b>	Contract Employees	Retiree < 65: \$154.99 Spouse < 65: \$243.96 Individual ≥ 65: \$122.80	Retiree: Life Spouse: Life of Spouse	None	\$60.00	\$107.99/month
<b>ENTERPRISE</b>	Age 55 & Age + Service = 75 Age 65 & 15 Years of Service	None	Retiree: Life Spouse: None	None	\$15.00	None
<b>FAIRMOUNT</b>	Contract Employees	Retiree < 65: \$103.53	Retiree: To Age 65 Spouse: None	None	None	None
<b>HIGHLAND</b>	Age + Service = 80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree < 65: \$178.07 Spouse < 65: \$260.69 Individual ≥ 65: \$69.90	Retiree: Life Spouse: Life of Spouse	Yes	\$20.00	None
<b>ILL. TELCO GROUP</b>	Contract Employees	Retiree < 65: \$145.72 Spouse < 65: \$263.03 Individual ≥ 65: \$116.58	Retiree: Life Spouse: Life of Spouse	None	None	None

\* Only two current retirees at Canton Telephone Company receive retiree medical benefits.

APPENDIX B  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

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	ELIGIBILITY	MONTHLY MEDICAL PREMIUMS	DURATION OF COVERAGE	PART B PREMIUM REIMBURSEMENT	MONTHLY TELEPHONE DISCOUNT	REIMBURSEMENT ACCOUNT
LAKESHORE	Contract Employees	Retiree < 65: \$185.20 Spouse < 65: \$254.82 Individual ≥ 65: \$278.00	Retiree: Life Spouse: Life of Spouse	Yes	\$12.50	None
LAKESIDE	NO BENEFITS					
LAKESIDE	NO BENEFITS					
LAKESIDE	NO BENEFITS					
LAKESIDE	NO BENEFITS					
MINOT MANAGEMENT	Age 62 & 20 Years of Service Age 65 Disabled at any age	Retiree < 65: \$122.34 Spouse < 65: \$206.18 Individual ≥ 65: \$84.08	Retiree: Life Spouse: Life of Spouse	None	None	None
MINOT NON-MANAGEMENT	Age 62 & 20 Years of Service Age 65 Disabled at any age	Retiree < 65: \$122.34 Spouse < 65: \$206.18 Individual ≥ 65: \$84.08	Retiree: Life Spouse: Life of Spouse	None	None	None
MID-SOUTH	Contract Employees	Retiree < 65: \$103.53	Retiree: To Age 65 Spouse: None	None	None	None
MIDWAY	NO BENEFITS					
MONDOVI	Age + Service = 85 Disabled at any age	Retiree < 65: \$190.00 Spouse < 65: \$84.00 Retiree ≥ 65: \$190.00 Spouse ≥ 65: \$112.00	Retiree: Life Spouse: Life of Retiree	None	\$13.20	None

APPENDIX B  
 ROCHESTER TELEPHONE CORPORATION  
 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

	ELIGIBILITY	MONTHLY MEDICAL PREMIUMS	DURATION OF COVERAGE	PART B PREMIUM REIMBURSEMENT	MONTHLY TELEPHONE DISCOUNT	REIMBURSEMENT ACCOUNT
MONROEVILLE	Contract Employees	Retiree < 65: \$121.68	Retiree: To Age 65 Spouse: None	None	None	None
MT. PULASKI	Age + Service = 85 Age 65	Retiree < 65: \$145.72 Spouse < 65: \$263.03 Individual ≥ 65: \$104.02	Retiree: Life Spouse: Life of Retiree	None	None	None
ONTONAGON *	Age + Service = 85 Age 55 & 30 Years of Service Age 65 & 10 Years of Service 25 Years of Service	Retiree < 65: \$158.71 Spouse < 65: \$204.38 Individual ≥ 65: \$110.70	Retiree: Life Spouse: Life of Spouse	Yes	< 25 years service \$17.00 ≥ 25 years service Up to \$75.00	None
ORION	Contract Employees	Retiree < 65: \$201.50 Spouse < 65: \$300.70 Individual ≥ 65: \$95.00	Retiree: Life Spouse: Life of Spouse	Yes	1/2 of local svc assumed to be \$20	None
OSWAYO	Contract Employees	Retiree < 65: \$135.22 Spouse < 65: \$205.29 Individual ≥ 65: \$45.00	Retiree: Life Spouse: Life of Spouse	Yes (one retiree only)	\$22.00	None
S&A	<b>NO BENEFITS</b>					
SCHUYLER	Age 62 & 25 Years of Service	Retiree < 65: \$163.50 Spouse < 65: \$163.50 Individual ≥ 65: \$126.51	Retiree: Life Spouse: Life of Spouse	None	\$22.78	None
SENECA GORHAM	Age 60	Retiree < 65: \$158.46 Individual ≥ 65: \$100.88	Retiree: Life Spouse: None	None	\$10.00	None

\* Employees not under employment contracts are only eligible to receive discounted telephone service when they retire.



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 POSTRETIREMENT WELFARE BENEFITS VALUATION  
 AS OF JANUARY 1, 1992  
 SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

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	ELIGIBILITY	MONTHLY MEDICAL PREMIUMS	DURATION OF COVERAGE	PART B PREMIUM REIMBURSEMENT	MONTHLY TELEPHONE DISCOUNT	REIMBURSEMENT ACCOUNT
<b>SOUTHLAND</b>	Age 55 & 15 Years of Service	Retiree < 65: \$121.68 Spouse < 65: \$254.17 Individual ≥ 65: \$99.76	Retiree: Life Spouse: Life of Retiree	None	\$14.85	None
<b>ST CROIX</b>	<b>NO BENEFITS</b>					
<b>SYLVAN LAKE MANAGEMENT</b>	Age + Service = 80 Age 55 & 15 Years of Service 30 Years of Service Age 65	Retiree < 65: \$143.98 Spouse < 65: \$199.85 Individual ≥ 65: \$64.19	Retiree: Life Spouse: Life of Spouse	Yes	\$15.00	None
<b>SYLVAN LAKE NON-MANAGEMENT</b>	Age 55 & 15 Years of Service Age 65	Retiree < 65: \$143.98 Spouse < 65: \$199.85 Individual ≥ 65: \$64.19	Retiree: Life Spouse: Life of Spouse	Yes	\$15.00	None
<b>THORNTOWN</b>	Age 65 & 15 Years of Service 30 Years of Service Disabled at any age	Retiree < 65: \$124.73 Spouse < 65: \$197.40 Individual 65-70: \$95.36 Individual Over 70: \$114.00	Retiree: Life Spouse: Life of Retiree	Yes	None	None
<b>URBAN</b>	Age 55 & 15 Years of Service					\$100 times years of service/lump sum
<b>VIROQUA</b>	Age 55 & 25 Years of Service Age 60 Disabled at any age	Retiree < 65 2%/year of service x \$227.21  Individual ≥ 65: \$108.55	Retiree: Life Spouse: None	None	\$11.00 (Frozen)	None
<b>VISTA</b>	Age 55 & 5 Years of Service	Individual < 65 Grandfathered Medicen: \$265.35 Grandfathered Base Plus: \$96.50 Cencare: \$265.35 Individual ≥ 65 Grandfathered Medicen: \$265.35 Grandfathered Base Plus: \$96.50 Cencare: \$265.35	Retiree: Life Spouse: Life of Retiree	None	\$10.00 (those retired prior to March 1, 1991)	None